



Energy Savings Performance Contracting (ESPC) Overview

Regional (or “Super”) ESPCs are rapidly expanding the ability of energy services companies (ESCOs) to deliver energy savings to federal agencies. The Super ESPC, an expansion of the conventional ESPC concept, is an agreement between a federal agency and a company, which was selected through a competitive Indefinite Delivery/Indefinite Quantity (IDIQ) bidding process.

An ESPC is the only contracting vehicle that allows non-utility energy service providers (such as ESCOs) to perform energy-related projects at federal facilities. The ESPC’s most notable characteristic is a guarantee, which assures that energy savings will equal or exceed the cost of the contract. The contractor, not the facility, takes the risk that adequate savings will be generated. Furthermore, the contractor secures third party financing at the most advantageous rates available. In summary, the Super ESPC provides a streamlined process by which agencies can upgrade facilities and reduce energy consumption without capital appropriations and without risk that projected savings will fall short of contract costs.

The Huntsville Corp of Engineers, the Department of Energy and the U.S. Air Force have developed unique procedures to award delivery orders under their regional/Super ESPCs. Each procedure requires the end user to contract with an ESCO previously selected through the rigorous IDIQ competition. Consequently, most federal facilities have the option to issue deliver orders against one of two ESPCs and select a partner from 5-10 pre-qualified candidate ESCOs. In order to streamline procurement and deliver more efficient energy conservation measures, contracting officers have adopted a single site/single source selection process.

Given the mandate to reduce energy consumption, (Executive Order 13123), and the relatively short time to do so, facilities managers should take advantage of the prior competition in their selection of a partner. Key selection criteria should include: substantial history in providing energy savings performance contract services and delivering on guarantees, good references from previous government clients, financial soundness, and willingness and ability to form a government/industry partnership for the long term.



Company Background:

Honeywell is a \$24B diversified technology and manufacturing leader serving customers worldwide with control technologies for building, industry and homes; power generation systems; aerospace products and services. The Home and Building Control Division (H&BC) has been in the Energy Savings Performance Contracting business since the beginning. We performed the first energy savings contract in 1979 and the first guaranteed energy savings performance contract in 1982. Through 1999, we have successfully implemented over 4300 projects with a total value of nearly \$2.3B. These projects cover a wide spectrum of technologies and facility types providing our organization first-hand knowledge of virtually any requirement a customer may have. Our background in ESPC began in the K-12 market and then migrated into the Healthcare and Industrial markets. The experience we gained in these markets, especially in the highly complex and diverse industrial arena has positioned us very well for federal government opportunities. We have the people, background, experience and capability to develop and implement ESPC projects with a multitude of individual and interrelated technologies with little or no disruption to on-going activities. Due to the size and challenges that the Federal ESPC market offers, Honeywell formed a dedicated unit, the H&BC Federal Government Business Unit, to focus on the unique challenges that are involved in this marketplace. The results are evident in that we were the first ESCO to develop, construct and complete ESPC projects (Ft. Bragg) under the Army ESPC program and we have the largest, most complex ESPC contract (NASA) under the DOE Super ESPC program. Our federal team encompasses engineering, project management, installation, measurement and verification and service. We also utilize other corporate resources in order to develop projects that address our customer's critical needs.

Federal ESPC Experience:

Honeywell is currently under contract for the following Federal Government ESPC IDIQ's:

- DOE Southeastern, Central, Mid-Atlantic, Northeast and Western Region Super ESPC's
- U.S. Army 4 & 46 State IDIQ ESPC's
- USAF Region 5 (Western States) ESPC

Federal ESPC Projects Completed or Underway:

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| • Fort Bragg, NC | • GSA, Denney Federal Building, NE |
| • Eisenhower Center, KS | • Hill AFB, UT |
| • Kirtland AFB, NM | • Fairchild AFB, WA |
| • U.S. Coast Guard, CA | • Luke AFB, AZ |
| • NASA JSC, TX | • Leo O'Brien Federal Building, NY |
| • U.S. Forest Service, OR | • GSA Border Stations, TX |
| • Ft. Dix, NJ | • Schriever AFB, CO |
| • Ft. Devens, MA | • DOE Y-12, TN |
| • Grand Forks AFB, ND | • Fort Richardson, AK |
| • Hickam AFB, HI | • Fort Wainwright, AK |
| • Travis AFB, CA | • Bureau of Indian Affairs, OK/KS |
| • Davis-Monthan AFB, AZ | • Mountain Home AFB, ID |



Key to Success:

Partnership with our Customers: The cornerstone of our success is a focus on developing strong partnerships with our customers. We accomplish this by establishing teams that include representatives from key elements of both organizations to develop project strategies and goals initially, and provide support and direction as the project progresses. This approach has a direct impact on the speed, quality, and customer satisfaction associated with the ESPC project.

Experienced Project Teams: An outgrowth of our experience with ESPC's is proven processes, which utilize a concurrent engineering approach. The process steps include a site or facility assessment, feasibility studies, site surveys, design, construction, measurement and verification and operation and maintenance. Honeywell forms project teams for every ESPC. The teams are composed of experienced engineers who lead the analysis and design of the project; project managers who orchestrate the transition from design through construction; and measurement and verification specialists who are involved in the project from inception through the life of the contract ensuring that we meet or exceed our savings guarantee. Through our established branch offices we have existing relationships with local subcontractors experienced in ESPC's. This ensures that projects are executed quickly and efficiently and provide economic support to local communities.

Solid Organizational Support: Our project teams are supported by regional and corporate "Centers of Excellence" that augment the knowledge and skills of the team. These support organizations provide access to a large database of technology experts, product suppliers, and manpower support. Organizational support also comes in the way of economic stability allowing Honeywell to stand by our guarantees, easily secure financing at a discounted rate, and conduct multiple projects simultaneously.

Ongoing Service: Honeywell understands the correlation between properly operating and maintaining installed equipment and meeting or exceeding project energy savings. Our local service organization is involved in the project from the beginning. The Site Service Manager works with the team to assess the project operations and maintenance requirements and the training needs of the facility personnel. We work with our customers to develop the best solution for the facility and the long-term success of the ESPC.

Financing Capability:

Honeywell has agreements with multiple financial institutions with the experience and portfolios to finance any ESPC. When a project requires third party financing, we competitively select among these financial institutions to acquire the most favorable terms. Our excellent credit rating and successful track record allows us to secure financing at favorable rates without delay. Projects can expect funds to be available within 14 days of delivery order execution.

[For more information contact Alicia Collier at \(703\) 378-5316](#)